

Message Text

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TO AMEMBASSY TOKYO PRIORITY

INFO USMISSION GENEVA

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TAGS: ETRD, JA

SUBJECT: TEXTILES - USG/GOJ BILATERAL TEXTILE NEGOTIATIONS

REF: STATE 247653

GENEVA FOR PHELAN

1. AS REFTTEL INDICATED, USDEL ADVISED GOJDEL DURING MOST RECENT ROUND OF CONSULTATIONS THAT WE WOULD FORWARD TO IT OUR POSITION RE ROLLING STONE PRIOR TO RESUMING THIRD ROUND OF CONSULTATIONS.

2. TO REVIEW STATUS OF CONSULTATIONS THUS FAR, US AND GOJ DELEGATIONS HAVE REACHED AGREEMENT, AS PART OF OVERALL PACKAGE, ON CATEGORIES 200 AND 104, CATEGORY 210 (WITH LIMITED OFFICIAL USE

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SEPARATE PROVISION FOR IMPRESSION FABRIC), POSSIBLE ELIMINA-

TION OF GROUP SIX, CONTINUATION OF DECEMBER 1975 AMENDED AGREEMENT, CONTINUATION OF SPECIAL HANDLING OF CATEGORIES 208 AND 219, AND CATEGORY 210 AS IT PERTAINS TO NYLON IMPRESSION FABRIC. WHAT REMAINS UNSETTLED IS ROLLING STONE, THE PERCENTAGES WHICH WOULD APPLY TO CONSULTATION MECHANISMS UNDER ROLLING STONE, AND ANY FURTHER SPECIAL PROVISIONS FOR SPECIFIC CATEGORIES.

3. AT TIME OF 1975 NEGOTIATIONS, USG PRESSED GOJ HARD FOR ROLLING STONE TO TAKE EFFECT AT THAT TIME. GOJ WAS UNABLE TO ACCEDE TO USG REQUEST AND, AS COMPROMISE, AS REFLECTED IN RECORD OF DISCUSSIONS APPENDED TO 1975 AMENDED AGREEMENT, THE TWO SIDES AGREED THAT DURING REVIEW SCHEDULED PRIOR TO THIRD AGREEMENT YEAR, THE MATTER OF CHANGING THE REFERENCE PERIOD WOULD BE DISCUSSED, IT BEING FIRMLY UNDERSTOOD AT THAT TIME THAT THE GOJ WOULD AGREE IN 1976 TALKS TO ROLLING OVER THE CURRENT REFERENCE PERIOD BY ONE FULL YEAR.

4. DURING THE LAST TWO ROUNDS OF CONSULTATIONS (AUGUST AND SEPTEMBER), TAKAHASHI AND GOJDEL HAVE RESISTED HONORING THE ABOVE COMMITMENT, CLAIMING THAT QUOTE RADICAL CHANGES SUCH AS ROLLING STONE COULD NOT BE UNDERSTOOD BY THE JAPANESE PEOPLE. END QUOTE. HOWEVER, THE USDEL HAS, IN THE FRANKEST TERMS, TOLD THE GOJDEL THAT REMOVAL OF CATEGORY 200 FROM THE AGREEMENT DEPENDED ON ROLLING STONE AND THAT THIS POSITION HAD BEEN MADE EXPLICITLY CLEAR LAST YEAR. THE GOJDEL ACKNOWLEDGED THIS AS TRUE.

5. AS COMPROMISE, TAKAHASHI PUT FORWARD IDEA OF ONLY ROLLING THE REFERENCE PERIOD BY THREE MONTHS, I.E., THE BEGINNING WOULD CHANGE FROM OCTOBER 1, 1971 TO JANUARY 1, 1972, AND THE ENDING FROM SEPTEMBER 30, 1974 TO DECEMBER 30, 1974. INASMUCH AS ROLLING STONE, AS ORIGINALLY DISCUSSED LAST YEAR MEANT ROLLING ONE FULL YEAR, I.E., OCTOBER 1, 1972 TO SEPTEMBER 30, 1975, USDEL REJECTED GOJ OFFER. THE GOJ OFFER TO, IN ESSENCE, SLIDE THE TIME FRAME BY A CALENDAR QUARTER SIMPLY DOES NOT RPT NOT MEET THE USG OBJECTIVES OF (A) BRINGING THE REFERENCE PERIOD MORE IN LINE WITH THE ACTUAL TRADE TRENDS (AND CONFORMING LIMITED OFFICIAL USE

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TO INTENT OF 1975 RECORD OF DISCUSSIONS), AND (B) REDUCING SHORTFALL. IT PERPETUATES THE 1971 HISTORY.

6. HENCE, THE USDEL STILL PREFERS ROLLING STONE OF ONE FULL YEAR, I.E., AS ORIGINALLY PROPOSED. HOWEVER, WE ARE NOT INSENSITIVE TO TAKAHASHI'S CONCERN ABOUT MAKING TOO RADICAL A CHANGE FROM THE 1971 REFERENCE PERIOD AND, AS A FALL-BACK AND FINAL POSITION, WE ARE WILLING TO CONSIDER

USING THE PERIOD JANUARY 1, 1972 TO DECEMBER 31, 1975 RPT
1975 AS THE NEW ROLLING STONE.

7. THIS FALL-BACK POSITION ACHIEVES THE FOLLOWING
OBJECTIVES:

(A) IT MEETS GOJ CONCERNS NOT TO HAVE TOO MUCH CHANGE
FROM THE OCTOBER 1, 1971 BEGINNING DATE BY ROLLING THREE
MONTHS, TO JANUARY 1, 1972 AS STARTING DATE.

(B) IT THEN TIES THE REFERENCE PERIOD IN WITH THE CALENDAR
YEAR WHICH IS THE BASIS FOR THIRD AGREEMENT YEAR.

(C) IT ONLY ADDS THREE MONTHS TO THE ORIGINAL PROPOSED
ROLLING STONE REFERENCE END OF SEPTEMBER 30, 1975

(D) IT MEANINGFULLY MEETS USG OBJECTIVES OF MOVING BEYOND
1974 TERMINAL DATE TO 1975 TERMINAL DATE AND ELIMINATION
OF 1971 PORTION.

(E) IT IS ONLY marginally different in real trade terms
FROM THE ORIGINAL PROPOSED ROLLING STONE DATES. ACTUALLY,
THE YARDAGE UNDER THIS FALL-BACK POSITION WORKS TO THE
GOJ ADVANTAGE VIS A VIS THE ORIGINAL ROLLING STONE BY
SOME 64 MSYE.

8. IF THE GOJDEL CAN NOW ACCEPT EITHER OF THE TWO ROLLING
STONE PROPOSALS, IT WOULD APPEAR BOTH SIDES WOULD THEN
HAVE REASON TO RESUME THE CONSULTATIONS, AS THE MATTER
OF THE PERCENTAGES WHICH WOULD APPLY TO THE ROLLING STONE
COULD BE NEGOTIATED. WITH REGARD TO THESE PERCENTAGES,
I.E., HOW MUCH ABOVE THE CURRENT 120 PERCENT, WE WOULD
HOPE THE GOJ POSITION WOULD BE REASONABLE AS, BOTH SIDES
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ADMIT, THE CONSULTATION MECHANISM IS IN ITSELF SOMEWHAT
OF A KUBUKI EXERCISE. ALSO, GOJ REQUESTS TO RAISE THE
PERCENTAGE TOO FAR ABOVE THE EXISTING LEVEL WOULD
IMMEDIATELY RAISE SUSPICIONS ON THE US SIDE, ESPECIALLY
WITH THE DOMESTIC INDUSTRY. HENCE, WE WOULD HOPE THE GOJ
REQUEST WOULD BE IN VICINITY OF 125 PERCENT, A FIGURE WITH
WHICH WE COULD LIVE.

9. ACCORDINGLY, THE EMBASSY IS REQUESTED TO BRING THE
ABOVE TO TAKAHASHI'S ATTENTION AND TO DETERMINE, BASED ON
HIS REACTION TO EITHER OF THE TWO US ROLLING STONE
PROPOSALS, IF TAKAHASHI IS NOW READY TO ACCEPT EITHER
OFFER AND HENCE QUICKLY CONCLUDE THE CONSULTATIONS. YOU
SHOULD POINT OUT TO TAKAHASHI THAT, IN HIS CONSIDERATION
OF THE ROLLING STONE AND THE PERCENTAGE, HE SHOULD RECALL

THAT WE TOLD HIM THAT IF THE GOJ HAD A PROBLEM WITH SPECIFIC CATEGORIES WITHIN THE GENERAL FORMULA, HE SHOULD POINT THESE OUT TO US. IF HE DOES IN FACT HAVE A COUPLE OF PROBLEMS, THEN THE BEST SOLUTION TO THOSE MIGHT BE TO HANDLE THEM APART FROM THE GENERAL ROLLING STONE FORMULA, JUST AS WE HAVE ALREADY AGREED TO HANDLE CATEGORIES 200, 201, 202, 210, 219 AND 104 APART FROM THE GENERAL FORMULA. WE WOULD ASSUME, OF COURSE, THAT HIS PROBLEM CASES WOULD BE QUITE LIMITED IN NUMBER.

10. A TELEGRAPHIC REPLY IS REQUESTED. FYI: WE BELIEVE THE BALL IS DEFINITELY IN THE JAPANESE COURT, AS TAKAHASHI INDICATED PRIOR TO HIS DEPARTURE THAT, LIKE HANAOKA LAST YEAR, HE WOULD HAVE TO QUOTE WORK ON QUOTE HIS INDUSTRY DURING THIS INTERIM PERIOD. END FYI. ROBINSON

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